

**Meeting Report**  
**Budget Review Meeting**  
**Saturday, October 30, 2010**  
**Penn Room**

**Attending:** V. Spencer, J. Waltman, F. Acosta, D. Reed, S. Marmarou, M. Goodman-Hinnershitz, D. Sterner, L. Kelleher, D. Cituk, F. Denbowski, C. Younger, C. Geffken, C. Weidel, BCTV representatives, C. Broad

Mr. Acosta, Finance Chair, called the meeting to order at 9:14 a.m.

**BCTV**

Mr. Acosta explained that Council wanted to speak with BCTV about the new direction the organization is taking. He stated that Councilors questioned if the organization's cross into the news area would be a conflict as the City does not fund any other media outlets. He stated that the Administration has proposed allocating \$75K in both the CDBG and GF Budgets, which is double what the allocation was last year. He stated that some concern has been expressed that the Administration is proposing to spend more on BCTV than they are on the Library.

Ms. Sheehan stated that BCTV is a non-profit organization centered on public communication and education since its inception in 1976. It was started as an experiment to discover the need for improved public communication through grant funding. In 1985 the City negotiated a new franchise agreement to provide continual funding for BCTV and MAC which provides the outlet for public communication. She noted that BCTV is not a charitable organization. She stated that BCTV is the local access channel manager (for governmental information and programming) for BCTV and MAC.

Ms. Sheehan stated that the cut in funding last year caused BCTV to eliminate one (1) position and cut employee benefits across the board. She explained that BCTV received a multi year grant to expand public communication via the website. She stated that the Mayor and Chair of the County Commissioners serve on the BCTV board during their terms in office.

Mr. Zogas explained that a national shift is moving people from dependence on newspapers to obtaining news and information via the internet. He stated that last year he asked Council to consider reducing the funding for BCTV rather than killing them. He asked Council to consider the same this year.

Ms. Sheehan stated that the City's allocation funds both MAC and BCTV programs but not the website. The only website function that is funded is the streaming and program

archiving.

Mr. Mc Dougal stated that the Night Foundation Grant was obtained to fund the website and citizen reporting to explore the need for additional community dialogue. He expressed the belief that the website gets a considerable number of hits thus proving that there is a need for this feature in Berks County.

Ms. Reed stated that she personally supports the work and programming of BCTV and MAC. However, she questioned if the new news component, including investigative reporting, does not cross the line. She also questioned if a conflict would be created if the City funded the BCTV news component and not other local media outlets. She also questioned if a conflict would prevent her from voting on the Budget of the BCTV line item as she received payment for some of the BCTV articles.

Ms. Sheehan stated that although Ms. Reed received payment from BCTV, the payment was for stories Ms. Reed drafted in 2009, before she was inducted on this Council.

Mr. Denbowski noted the importance of public dialogue and added that BCTV provides an effective public education tool. However, he noted that the City must consider how much it can afford to contribute towards this program.

Ms. Goodman-Hinnershitz agreed with the importance of public dialogue. She also questioned if a conflict exists and noted that BCTV did not discuss this new news component with the City.

Ms. Sheehan noted that Reading is the only municipality that financially supports BCTV. She stated that the County provides \$136K, from the Office of Aging and the Commissioners, annually.

Mr. Zogas expressed the belief that many of the BCTV viewers are City residents.

Ms. Sheehan stated that in Pennsylvania, each municipality has their own individual franchise agreement; however, in other States the franchise agreements are made by the County. She explained that the cable system started in the City and expanded outward. She added that no other municipality, other than Hamburg, has requested public access. However, in Montgomery County many municipalities use public access channels.

Mr. Cituk noted the increase in funding to BCTV annually, beginning around 2006. He inquired if BCTV could stay operational if their allocation was reduced to \$75K. Ms. Sheehan stated that as BCTV operated this year with the reduced allocation, they can make due with \$75K again in 2011.

Mr. Cituk stated in the past Council was told that CDBG allocations could only be used to fund new programs one time. He noted the belief that CDBG funds cannot be used to support programs annually. Mr. Geffken stated that the allocation is funded from the Administrative area, so it can continue as long as the City's annual allocation remains consistent.

Mr. Waltman noted the value of both the Library and BCTV programs. He spoke of the risk programs experience when funding gets reduced, as many times programs are left to operate without sufficient funding. He suggested retaining the \$75K allocation for BCTV in the GF Budget.

Mr. Spencer requested the rules and regulations for the CDBG Administrative allocation and a spreadsheet showing spending in this category over the past three (3) years.

Ms. Goodman-Hinnershitz stated that BCTV offers viewers an unfiltered news source. She noted that statements and quotes from people in other news media are often filtered and edited.

Mr. Acosta inquired if the City's allocation will be used for MAC only. Ms. Sheehan stated that the allocation will be used to support the BCTV and MAC channels and programs. She added that \$15,000 annually is used to support streaming programs to the website.

Ms. Reed requested a written legal opening from the Solicitor regarding the potential conflict of interest. Mr. Younger promised to have the opinion prepared by Monday.

### **Solicitor**

Mr. Geffken stated that the salary line item shows a 2.5% reduction for staff earning over \$50K per year. He stated that overall the Solicitor's budget was reduced by approximately \$100K.

Ms. Goodman-Hinnershitz expressed concern that the reduction in this department may increase the City's vulnerability.

Mr. Younger stated that to date the City has only spent \$91K of the \$276K allocated for Special Counsel, so the reduction shown is manageable.

Mr. Spencer inquired if the Solicitor's Office has sufficient legal staff to cover the various areas. He expressed the belief that some areas such as Housing and Blighted Property are underserved and inquired if current legal staff is stretched too thin.

Mr. Geffken agreed that an additional legal specialist is needed. However, he noted that the

salaries of the Solicitor and Legal Specialists are considerably below market.

In response to a question from Mr. Marmarou, Mr. Geffken stated that the cost for a Legal Specialist is approximately \$85K (salary and benefits). Mr. Marmarou noted the difficulty of adding positions in various departments while reducing the size of the police department again for 2011. He recounted his experience last night whereby he had to wait approximately 45 minutes for police response. He stated that the issue was over until the police arrived. He stated that this situation will be compounded with further reductions.

Mr. Younger stated that the Recovery Plan requires the Law Office to review the City's Boards, Authorities and Commissions to determine where the City's legal staff should be involved and where separate legal counsel should be retained. He agreed that legal staff is severely underpaid which may jeopardize the stability of staff moving forward. He stated that he offers schedule flexibility and covering the annual costs of continuing education and licensing to attempt to cover the gap.

Ms. Reed agreed that is difficult considering adding legal staff while reducing police; however, she stated as a member of the BPRC she has first hand experience seeing how the lack of good legal counsel is detrimental to its progress and results.

Ms. Acosta and Ms. Goodman-Hinnershitz asked that adding legal staff and salaries be placed on the Follow-up List.

### **DID**

Mr. Acosta stated that Council will review the document presented by Mr. Broad; however, there is no time for presentations due to the time constraints in reviewing the Budget. He stated that a reduction in the allocation is not being considered. He stated that any follow-up questions will be relayed through Mr. Geffken or Ms. Kelleher.

### **Property Tax Billing & Collection**

Mr. Geffken stated that additional information has been requested from Mr. Long from the County Treasurer's Office. Ms. Weidel stated that Portnoff will also be submitting a proposal for property tax billing and collection.

Mr. Geffken reminded Council that if the County Treasurer is used for 2011 property tax billing, collection services will still be provided through Portnoff until 2012. Ms. Weidel stated that using Portnoff for property tax collection in 2011 will require an additional expense allocation of \$188K, which covers the up-front collection costs that are reimbursed when the delinquency is cleared.

Mr. Waltman noted the need to consider the overall tax collection expenses and revenues and

the overall impact. There was a discussion on the impact the shift in billing will create. Concern regarding delayed collection of much needed revenue if the County is selected was expressed.

Mr. Waltman noted that the Recovery Plan RE01 requires an \$800K increase in 2011 and a \$1M increase in 2012 for property tax and EIT collection. He stated PFM is seeking improved collection activities. Mr. Geffken stated that staff has determined this projection to be unrealistic. Mr. Spencer expressed concern about the conflicting figures in the Recovery Plan and the Budget allocation.

Ms. Kelleher noted that the Recovery Plan figures are projected on a property tax increase of 10%-5%-5% over the next three (3) years. However, the Administration has presented Council with a revenue line item showing a property tax increase of 22%. She noted that the Administration has proposed increasing the EIT rate to the amount shown in the recovery plan. She inquired why the \$800K projection will not be realized with a 22% property tax increase.

Mr. Acosta expressed concern and suggested exploring all tax collection avenues.

Ms. Goodman-Hinnershitz noted the difficulty in comparing the collection rates of other municipalities due to the demographic differences between Reading, having a high rate of non-owner occupied properties, and other municipalities in Berks County.

Ms. Kelleher inquired about the delinquencies Linebarger is currently working on. Ms. Weidel stated that Linebarger is currently working to collect delinquent Per Capita and Housing Permits.

Ms. Kelleher inquired if Linebarger will be providing a report on newly identified people who have not remitted Per Capita in the past and if that information will be used for the 2011 billing. Ms. Weidel stated that that information was not provided to date.

Ms. Kelleher inquired if Tax draws information from Zoning to uncover new businesses and in-home businesses who should have business licenses and pay business privilege tax. Ms. Weidel stated that those data bases are not currently accessed.

Ms. Weidel stated that EIT collection will shift to Berks EIT in 2011. City personnel will continue to bill and collect Per Capita and Business Privilege Taxes.

Mr. Geffken expressed the belief that the City's success rate with property tax collection will be about the same if the County performs collection services; however, he stated that some delinquencies may extend out beyond two (2) years.

Mr. Waltman questioned the reduction of \$250K in prior year's property tax collection. Ms. Weidel stated that the projection was based on using the County for collections in 2011. She noted that this projection will need modification as Portnoff will continue to provide collection services in 2011. Mr. Waltman suggested increasing that line item by \$250K. This will be placed on the follow-up list.

### **EIT**

Mr. Geffken displayed a spreadsheet showing EIT collections between 2005 and 2015 (projected 2011-2015), based on the transfer of 1/12 of the amount actually collected from residents and non-residents (non-resident EIT requires Court approval for 2011, 2012 and 2013 and is then eliminated for 2014 and 2015). The projection is also based on the PFM projections requiring a reduction in the tax charged to residents over the period. He explained that the spreadsheet reflects a change in the formula used on past projections. This formula shows that the City over charged the EIT account by \$700K in 2009 and \$1M in 2010. He then explained the new formula and reconstitution of the projection and its effect on the prior year collections. He added that the growth rate is tracked and considers the City's unemployment rate. He stated that the City budgeted \$11.3M in 2010 but should have only budgeted for approximately \$9M.

Mr. Waltman asked Mr. Geffken to provide an electronic copy of the spreadsheet to Council and the Auditor and requested time to review the recalculation presented.

Ms. Weidel stated that Council will need to approve a resolution on November 8<sup>th</sup> which will authorize Berks EIT as the City's EIT collector. She explained that Berks EIT needs to notify all employers about the change in collectors by November 15<sup>th</sup>. Mr. Acosta asked the Administration to prepare and send the resolution to the Council office without delay.

Mr. Waltman stated that the 2011 projection is based on a 90% collection rate. He suggested increasing this rate to 92%, which will provide an additional \$250K for 2011.

There was a discussion on the projections and objectives contained in the Recovery Plan.

### **Follow-up List**

**Construction Permits** – Mr. Geffken stated that after a recalculation of the projection for 2011 shows that this revenue line item can be increased by \$900K, due to the major projects planned for 2011.

Mr. Geffken explained that the majority of projects are charged the full trades and construction permit rate which is based on the projected cost of the construction project. Others such as Our City Reading (OCR) are only charged 50% of the value. Mr. Denbowski

stated that these projects are charged less because they are viewed as “City supported” projects.

Ms. Reed and Ms. Goodman-Hinnershitz noted the need to apply the same rate to all projects. They noted the need to add this item to the Policy Follow-up list.

Mr. Spencer noted that the Berks Women in Crisis (BWIC) project was improperly located on a KOZ site. He explained that KOZ site projects were supposed to support the City's tax base and employment rate.

Mr. Acosta stated that while he understands that the projects undertaken by OCR and Mr. Boscov support the positive redevelopment of the City, the community believes that they are given unfair benefits. He stated that the community believes all projects should be treated the same. He reminded everyone that the Sovereign Center was not afforded a discounted rate.

Mr. Spencer suggested that as the OCR projects are funded through tax dollars from the local, state and federal governments, their projects should be charged at a discounted rate.

**Animal Rescue League** – Mr. Cituk stated that this expenditure line item needs to be increased by \$13K due to the contract.

**Unemployment** – Mr. Geffken stated that the \$600K budgeted for this line item is based on trends and reflects potential layoffs. He stated that the Administration does not expect layoffs in the Police Department due to the need to replace retiring officers. He stated that the 11 man reduction will be offset through attrition. He stated that the projection is based on \$150K per quarter.

Mr. Cituk recommended reducing this expenditure line item as the City only spent \$130K last year after layoffs. Mr. Cituk stated that the City only covers the first 26 weeks of unemployment coverage. Additional weeks are covered by the state and federal governments.

Mr. Acosta requested the number of layoffs projected for 2011. Mr. Geffken stated that this figure will remain unknown until Council completes its review and amendment process. He added that all employees laid off at the beginning of 2010 were called back during the year. There are no employees remaining on layoff.

This item will remain on the Follow-up List

Council went into executive session to discuss personnel matters at 11:50 am and reconvened the meeting at approximately 12 pm.

**Washington County Bond** – Mr. Geffken stated that the Washington County Bond was used to build the Gateway building located at 2<sup>nd</sup> and Penn Streets for Greater Berks Development. He stated that the line item reflects a one time repayment; however, this figure will be offset next year though increased AFSCME 2763 and FOP employee contributions to the healthcare benefits.

**Housing Permits** – Mr. Geffken stated that the \$1.5M projection is based on a 90% collection rate for 2010 and a 95% collection rate for 2011. Mr. Waltman expressed the belief that the actual collection rate will come in at approximately 85%. Mr. Geffken stated that the 95% collection rate is attainable due to the assistance of Mr. Weiss and Mr. Kromer. Mr. Cituk stated that as per September 30<sup>th</sup> the City collected \$1,049,000. Mr. Geffken explained that the due date for Housing Permits for 2008 and 2009 were billed in November 2009 with a February 2010 due date.

Housing Permit Collection will be placed on the Follow-up List.

Mr. Acosta asked Ms. Kelleher to review the Follow-up Responses and update the list.

Mr. Acosta announced that Monday's budget session will occur after the Public Hearing and cover HR and Fire. Ms. Kelleher reminded everyone that Monday's session will begin at 4:30 with Attorney Miravich regarding the Water Authority agreement in executive session.

Ms. Goodman-Hinnershitz inquired why Administrative Oversight interviews were scheduled during the committee of the whole budget review. Ms. Kelleher explained that two (2) interviews were scheduled before the need for a Monday session was identified. She noted the importance of carrying on with these two (2) interviews as one person is interested in serving on the Planning Commission.

The session adjourned at approximately 12:50 pm.

*Respectfully submitted by Linda A. Kelleher CMC, City Clerk*